FDIC State Profile

Spring 2006

New York

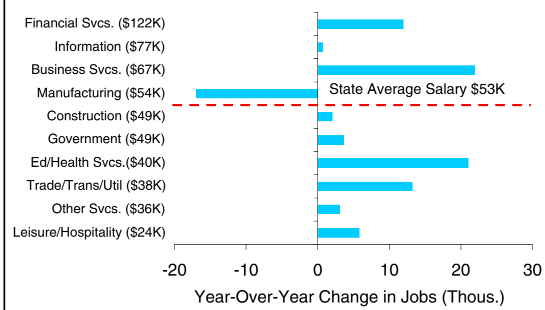
During 2005, job gains in the state's higher-paying sectors offset manufacturing losses.

- New York's rate of job growth eased during 2005 reaching a low of 0.6 percent in the fourth quarter, slightly less than one-half the national average. Job trends were mixed across the state.
- Growth slowed in the **Hudson Valley** including **Kingston** and **Poughkeepsie** but strengthened in **New York City,** where gains were broad-based across industry sectors. The city's financial sector was helped by strong Wall Street profits, which boosted compensation to record levels. **Syracuse** recorded its strongest back-to-back quarterly job growth since 2000.
- During 2005, 66,000 net new jobs were created in the state, the largest increase in five years. Gains in higher-paying financial and business services industries more than offset continued loss of manufacturing jobs (see Chart 1). While manufacturing salaries approximated the state's average salary, financial and business services jobs paid significantly higher than the state average.
- Job gains were also significant in the state's education and health services, trade, and leisure and hospitality sectors, which collectively represented 60 percent of 2005 net new jobs. Average salaries in these sectors were below the state average.
- Business surveys during the first quarter of 2006 indicate that business conditions in the state have improved.[1]

New York's housing appreciation stabilized, while housing sales have slowed.

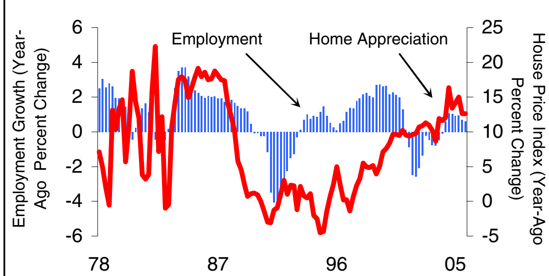
- For the first time since 1997, New York's home appreciation rate of 12.6 percent in the fourth quarter 2005 was below the national average of 13 percent. After reaching a record high in the third quarter, appreciation eased in **Glen Falls**, but slightly increased in other parts of the Hudson Valley, **Long Island**, and New York City metro area.[2]

Chart 1: In NY, Job Gains in Business, Education and Health Services Offset Losses in Manufacturing



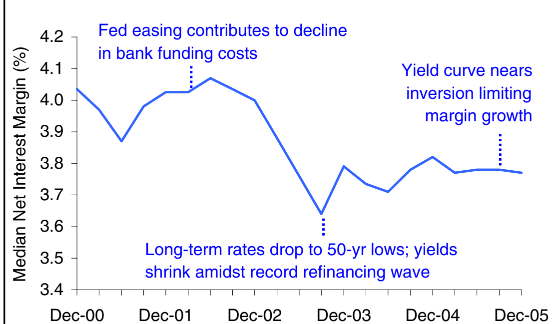
Note: Average annual wage as of third quarter 2005 shown in parenthesis. Job change calculated for year ending 2005. Source: Bureau of Labor Statistics.

Chart 2: Job Growth Should Help Support New York's Housing Market



Source: Bureau of Labor Statistics, Office of Federal Housing Enterprise Oversight

Chart 3: The Dynamic Interest Rate Environment is Reflected in NIMs of New York Insured Institutions



Source: FDIC

[1]National Association of Purchasing Managers New York Report, February 2006 and New York Federal Reserve Empire State Manufacturing Survey, March 2006.
[2]Office of Federal Housing Enterprise Oversight.

- While the state's average house appreciation rate remained in double digits, other indicators of housing activity have eased. The inventory of unsold homes has increased between 10 percent and 20 percent in **Westchester** and parts of the **Hudson Valley**, 10 percent in **Buffalo** almost 30 percent in **Rochester**.

- A slowdown in home sales and higher inventory levels could portend an easing in appreciation rates in 2006. However, in contrast to the state's early 1990s housing downturn, recent employment growth remains firm in many areas in the state, which should support housing markets (see Chart 2). Moreover, construction related employment has been a less significant driver to New York's job growth during the past five years than the nation.

New York's FDIC-insured institutions reported stable profitability in 2005, but the interest rate environment remains a challenge.

- Profitability was steady in 2005 reflecting moderate loan growth and favorable credit quality conditions. However, bank net interest margins (NIMs) faced headwinds in the flat yield curve environment.

- Several interest rate events have helped shape state margin trends in recent years (see Chart 3). During the 2001 recession, NIMs widened as short-term interest rates declined at a pace not seen in 20 years, helping banks to reduce funding costs. Subsequently, long-term rates dropped to 50-year lows, spurring a record residential mortgage refinancing wave and pushing bank asset yields and NIMs to near record lows. Margins have improved somewhat since the refinancing wave, but the flat yield curve has hindered margin expansion.

- Residential lenders, which compose 21 percent of New York-based insured institutions compared with 10 percent nationally, typically rely heavily on the spread between long- and short-term interest rates.

- As a result, these institutions are unlikely to experience margin expansion in the current flat yield curve environment. Under the flat yield curve of 2005, only one-third of New York's residential lenders reported widening of NIMs compared with one-half of the state's other institutions.

Increase in short-term interest rates and reemerging interest in CDs contributed to higher funding costs in 2005.

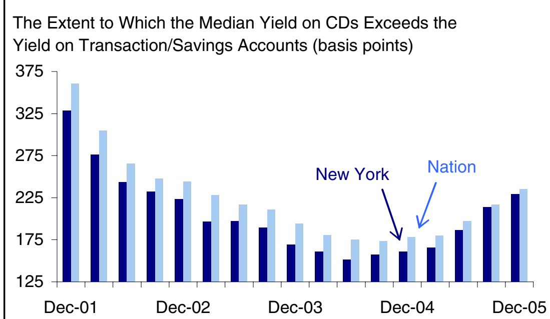
- New York's median cost of funds increased steadily in 2005 in response to rising short-term interest rates and growth in certificates of deposit accounts (CDs). CDs, which typically offer higher yields than other deposit products, increased to 35 percent of deposits in 2005, reaching their highest level in three years. Depositors were attracted to higher rates offered on CDs relative to other deposit products (see Chart 4).

Commercial real estate (CRE) loan concentration levels have increased.

- During the past several years, New York-based institutions have reported increasing levels of CRE loan concentrations. In 2005, CRE loan levels trailed the nation but exceeded the state's level of the early-90s (see Chart 5).

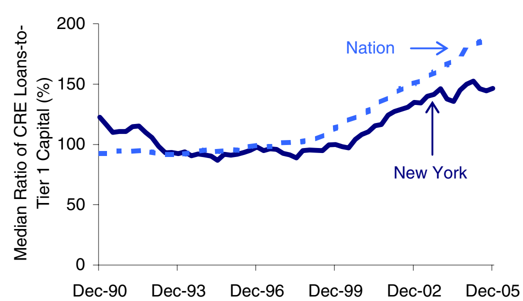
- The fourth quarter 2005 median past-due ratio of CRE loans reported by the state's institutions was 0.50 percent, unchanged from a year ago, and roughly equivalent to the national average.

Chart 4: CD Yields Increased Relative to Other Deposit Products in 2005



Source: FDIC

Chart 5: CRE Loan Concentrations Have Increased in New York, But Remain Below the Nation



Source: FDIC

New York at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q4-05	Q3-05	Q4-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.6%	0.7%	1.0%	0.7%	-0.6%
Manufacturing (7%)	-3.7%	-2.9%	-1.5%	-2.7%	-5.9%
Other (non-manufacturing) Goods-Producing (4%)	0.0%	-0.2%	2.4%	1.1%	-0.8%
Private Service-Producing (72%)	1.1%	1.2%	1.5%	1.2%	-0.1%
Government (17%)	0.4%	0.2%	-0.3%	-0.2%	-0.3%
Unemployment Rate (% of labor force)	5.0	5.0	5.3	5.8	6.4

Other Indicators	Q4-05	Q3-05	Q4-04	2004	2003
Personal Income	N/A	4.8%	8.5%	6.8%	2.0%
Single-Family Home Permits	-9.0%	12.8%	-1.2%	2.2%	-4.3%
Multifamily Building Permits	-7.2%	3.9%	31.4%	23.9%	5.9%
Existing Home Sales	-1.7%	7.7%	-2.9%	8.8%	-2.7%
Home Price Index	12.6%	12.6%	13.4%	13.4%	10.4%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	7.44	5.64	3.61	3.94	3.85

BANKING TRENDS

General Information	Q4-05	Q3-05	Q4-04	2004	2003
Institutions (#)	205	204	200	200	206
Total Assets (in millions)	1,198,702	1,191,280	1,166,140	1,166,140	1,733,667
New Institutions (# < 3 years)	16	14	9	9	8
Subchapter S Institutions	8	8	7	7	5

Asset Quality	Q4-05	Q3-05	Q4-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.04	1.10	1.20	1.20	1.46
ALLL/Total Loans (median %)	1.00	1.03	1.05	1.05	1.14
ALLL/Noncurrent Loans (median multiple)	2.11	2.21	2.56	2.56	1.79
Net Loan Losses / Total Loans (median %)	0.02	0.01	0.03	0.06	0.08

Capital / Earnings	Q4-05	Q3-05	Q4-04	2004	2003
Tier 1 Leverage (median %)	9.39	9.30	9.08	9.08	8.72
Return on Assets (median %)	0.77	0.88	0.83	0.85	0.89
Pretax Return on Assets (median %)	1.18	1.31	1.24	1.32	1.30
Net Interest Margin (median %)	3.77	3.78	3.82	3.77	3.78
Yield on Earning Assets (median %)	5.77	5.58	5.25	5.20	5.44
Cost of Funding Earning Assets (median %)	2.02	1.81	1.42	1.38	1.60
Provisions to Avg. Assets (median %)	0.05	0.05	0.04	0.06	0.10
Noninterest Income to Avg. Assets (median %)	0.57	0.59	0.62	0.62	0.67
Overhead to Avg. Assets (median %)	2.88	2.76	2.82	2.79	2.84

Liquidity / Sensitivity	Q4-05	Q3-05	Q4-04	2004	2003
Loans to Assets (median %)	58.3	56.9	55.8	55.8	56.1
Noncore Funding to Assets (median %)	19.7	18.8	18.1	18.1	17.1
Long-term Assets to Assets (median %, call filers)	26.2	25.1	30.1	30.1	29.5
Brokered Deposits (number of institutions)	60	62	56	56	60
Brokered Deposits to Assets (median % for those above)	3.0	2.1	2.8	2.8	1.9

Loan Concentrations (median % of Tier 1 Capital)	Q4-05	Q3-05	Q4-04	2004	2003
Commercial and Industrial	44.6	48.1	52.9	52.9	55.5
Commercial Real Estate	146.5	144.3	150.0	150.0	146.0
Construction & Development	11.8	12.5	11.4	11.4	8.8
Multifamily Residential Real Estate	6.3	6.2	7.2	7.2	7.4
Nonresidential Real Estate	112.7	114.5	104.9	104.9	103.0
Residential Real Estate	191.0	217.5	208.6	208.6	215.1
Consumer	7.9	8.9	11.5	11.5	15.0
Agriculture	0.0	0.0	0.0	0.0	0.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)	Asset Distribution	Institutions
New York-Northern New Jersey-Long Island, NY-NJ-PA	233	770,488	< $250 million	90 (43.9%)
Buffalo-Niagara Falls, NY	19	26,168	$250 million to $1 billion	68 (33.2%)
Albany-Schenectady-Troy, NY	24	20,995	$1 billion to $10 billion	36 (17.6%)
Rochester, NY	22	12,218	> $10 billion	11 (5.4%)
Poughkeepsie-Newburgh-Middletown, NY	30	8,526		